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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 004081

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SUBJECT: CHARGE WARNS TURKISH DEFENSE INDUSTRIAL POLICY MAY PREVENT US DEFENSE INDUSTRY PARTICIPATION

REF: A. ANKARA 3617

[1](#)B. ANKARA 1557

Classified By: Charge d'Affaires Nancy McEldowney, reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: In her initial call on Turkey's Under Secretary for Defense Industries (Savunma Sanayi Mustesarligi

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-SSM) Murad Bayar, Charge d'Affaires underscored that SSM's plans to require pre-approval of licenses before a contract is awarded could result in the inability of US companies to participate in current ATAK Helicopter tender and future tenders. She welcomed the Sikorsky Seahawk purchase but noted the difficulty of getting another EXIM Facility extension and urged the Turkish government to communicate its interest in the facility to Washington. Bayar confirmed the Seahawk buy is predicated on an EXIM facility extension but placed the burden for Turkey's efforts to secure it on Treasury Minister Babacan. Regarding the licensing issue, Bayar confirmed that, on the ATAK tender, and in future tenders, Turkey would look for an indication of U.S. intent to support the project concept and the related technology transfer request. Bayar was unconvinced that this requirement would preclude US private sector participation and challenged the USG to send an official to Turkey who could work with SSM representatives to identify a way in which SSM could achieve its goal within US legal and procedural constraints. (See action request in para. 6.) END SUMMARY.

[1](#)2. (C) Charge welcomed the recent F-16 upgrade agreement and Turkey's decision to buy 12 Sikorsky Seahawk helicopters (ref a). She warned that it would be very difficult to get a second EXIM facility extension and inquired about Turkey's strategy to persuade EXIM and the US Congress. While acknowledging the deal is predicated on the facility extension, Bayar divorced himself of any responsibility for making that happen. He suggested the USG had an interest in securing the extension and shared some responsibility for making it happen, but said State Minister Ali Babacan would lead Turkey's efforts and asked the Charge to explain to Babacan the best approach to EXIM and other parts of the USG in Washington.

SSM LOOKING FOR USG PRE-APPROVAL OF LICENSES

[1](#)3. (C) Turning to the current tender for up to 91 ATAK Helicopters (ref b), Charge voiced concern that SSM's new requirement for USG approval of licenses before a tender is awarded would effectively cut US companies out of the competition. SSM well knows the constraints on US defense companies and the USG would like to see a level playing field for all interested companies. Bayar demurred, saying he didn't know the details of the USG licensing process, but added that that this was not his issue, but rather an issue for the USG and US companies. Bayar characterized the new requirement as intended to save both SSM and the winning company from wasting time and money on a project that, in the end, would not receive government approval. Beginning with the ATAK tender, SSM will look for some indication from the USG that it approves the project concept and supports the transfer of related technology. Bayar said he wants advance "clarity" on the USG position. He emphasized that he wanted to see US participation in Turkish tenders but added that "if this is a show stopper for US companies, then so be it."

ISRAEL MODEL FOR ATAK PROGRAM

[1](#)4. (C) Bayar explained that his desired end state in the ATAK program and future projects is to have the freedom to play with the product configuration. As new Turkish or other acquired technology comes on line, SSM wants to be able to install it rather than to go back to the foreign platform manufacturer and ask them to incorporate it (Note: This would allow SSM to avoid further USG reviews and approvals). In the case of the ATAK Helicopter, this translates to the

integration of a Turkish-developed mission computer and the enhancement/modification of the aircraft weapons, avionics and other systems. Bayar stated that SSM will not buy a helo platform without this capability and said his model for this concept was Israel, which he believed had purchased F-16 engines and airframes from the United States and installed Israeli-made equipment (avionics, weapons, communications, radars, etc.).

BAYAR CHALLENGES USG TO IDENTIFY A WORK-AROUND

15. (C) Claiming that, during the six months since the initial ATAK tender was issued, he had not had an opportunity to talk to a USG official who understood the technicalities of the US legal and regulatory system, Bayar challenged the US to send someone who could explain the framework for the US/Israeli F-16 modifications and the USG authorization process. (Note: Post is unaware of any such arrangement with Israel and would welcome Department confirmation/denial of the sale and specific details. End Note.) He expressed certainty that, if SSM representatives could sit down with someone who knew the USG system, together we could work out an acceptable way forward. Charge agreed that our goal is to find a way to re-invigorate what has traditionally been our strongest area of bilateral cooperation.

16. (C) Action Requests:

-- Post requests Department work with DOD to identify an appropriate official for travel to Turkey to discuss with SSM the specifics of the USG licensing process and to evaluate the potential for USG Advisory Opinion or other preliminary indication of approval for projects like the ATAK Helicopter that would incorporate Turkish components into a US platform.

-- Additionally, Post would appreciate Department confirmation or denial of the Israeli F-16 modification program described in para. 4 as well the program specifics.
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